

Vacant Dwelling Property Tax Credit

Program Purpose and Description

This program was designed to encourage the renovation and reuse of residential vacant properties. It was the first of a series of tax credits enacted in the mid-1990s in response to concern about lagging development in the City during and after the recession of the early-1990s.

Properties that qualify:

1. Residential with no more than four dwelling units;
2. Must be cited as vacant and abandoned on a housing or building code violation notice for one year; or, have been owned by the Mayor and the City Council for more than one year, and are in need of substantial repairs to comply with applicable city codes;
3. Have been substantially rehabilitated **by the owner**, bringing it into compliance with all codes and laws applying to the dwelling;
4. Are occupied by the owner as their principal residence after the rehabilitation.
5. If someone purchases a formerly vacant house that was rehabbed immediately prior to the purchase, they might be eligible for the newly constructed tax credit (**for more information see <http://www.baltimorecity.gov/government/finance/taxincentives.html>**)

***PLEASE NOTE:** Applications for the tax credit must be submitted annually before September 1st of the taxable year for which the credit is to be sought. For example, in order to receive the city tax credit for the year 2006, the application must be submitted on or before September 1st, 2006. This process must be repeated annually to receive the credit, for up to five years. If the property is sold within the five years of eligible credit, the credit may be passed to the new owner for the remaining years until the credit expires.

The program provides a 5-year tax credit with 100% relief from your city property tax increase in the first taxable year; the credit declines by 20 percentage points thereafter. **However, the credit is applied only to the increased value of the dwelling due to the improvements.**

For example, if a reassessment of the property after rehabilitation increases the property value from \$100,000 to \$120,000 (a \$20,000 or 20% increase), the city tax credit will apply only to the increase, \$20,000. Since the tax credit is 100% in the first year, the owner must pay property taxes on the original property value (\$100,000) but no property taxes on the increase (\$20,000). In the second year, the owner must pay the city property tax on the original property value (\$100,000) plus 20% of the taxes on the increase (\$20,000). Please see the credit calculation below for further example.

Credit Calculation

Column	Assessment Before Improvement (1)	Assessment After Improvement (2)	Difference in Assessment (3) (2) - (1)	Credit % (4)	Amount Eligible for Credit (5) (3) * (4)	City Tax Rate * (6)	Credit Amount (7) (5) * (6)
Calculation							
Year 1	\$100,000	\$120,000	\$20,000	100%	\$20,000	2.308	\$461.60
Year 2	\$100,000	\$120,000	\$20,000	80%	\$16,000	2.308	\$369.28
Year 3	\$100,000	\$120,000	\$20,000	60%	\$12,000	2.308	\$276.96
Year 4	\$100,000	\$120,000	\$20,000	40%	\$8,000	2.308	\$184.64
Year 5	\$100,000	\$120,000	\$20,000	20%	\$4,000	2.308	\$92.32

* Assumes no tax rate change during the five year credit period.

Legal Reference

- State enabling legislation - Annotated Code of Maryland, Tax Property Article, Section 9-304 (c) (Chapter 583, 1993 Session).
- Baltimore City Code, Article 28-Taxes, Section 10-3 (Ordinance No. 234, effective January 1, 1994).

Contacts:

Paula Buchanan, Office Assistant III
Accounting Section
443-984-3497
Paula.Buchanan@baltimorecity.gov

Hattie Scott, Assistant Supervisor
Accounting Section
443-984-3498
Hattie.Scott@baltimorecity.gov

Janice Simmons, Manager
Collections Division
410-396-3961
Janice.Simmons@baltimorecity.gov

Application Procedures:

Step 1: Complete application and secure qualifying documents from the Department of Housing and Community Development, Charles L. Benton Building, 417 East Fayette Street, Room 202, 410-396-3360/3361. The necessary documents to be secured and included with the application from the Department of Housing and Community Development are:

- a. Vacant Housing Notice (for questions, please call code enforcement at 410-396-4170)
- b. Evidence of Appropriate Building Permits (go to <http://www.baltimorehousing.org/index/permits.asp> for an application or http://www.baltimorehousing.org/CELS/Search_TM_MAP.aspx to print out a list of all building permits issued for your particular property which can be used to fulfill the requirements for this tax credit)
- c. Evidence of an Occupancy Permit (go to <http://www.baltimorehousing.org/index/permits.asp> for an application or http://www.baltimorehousing.org/CELS/Search_TM_MAP.aspx to print out evidence of your occupancy permit which can be used to fulfill the requirements for this tax credit)

Step 2: Owner must secure assessment information from the State Department of Assessments and Taxation (SDAT) substantiating the increased value of the residential real property that is due to the improvements made to the property immediately before the Occupancy permit was issued. For additional information, please contact SDAT at the following:

Phone (410) 767-8250

Fax (410) 333-4626

E-mail: baltcity@dat.state.md.us

Step3: Owner should return all completed application materials to the Collections Division, Room 3, Municipal Building, 200 Holliday Street, Baltimore, Maryland 21202, 410-396-3972.

Step 4: The Collections Division will review the application and, if approved, will calculate the appropriate credit. If disapproved, Collection Division will contact the owner for additional information required.

*Step 5: **The owner shall file an application for this tax credit with the Collections Division annually***, on or before September 1st of the taxable year for which the credit is sought (Documents from Housing and Community Development and the State Department of Assessments and Taxation will not be required in subsequent applications for the same property).

City of Baltimore
Collection Division
Department of Finance
Room 3, Municipal Building
200 North Holliday Street
Baltimore, MD 21202
(410) 396-3972, Fax: (410) 545-7620

TAX CREDIT APPLICATION FOR REHABBED VACANT DWELLINGS

1. _____ 2. _____

Property Street Address

Property Ref. No. (Ward/Section/Block/Lot)

3. Owner Information

_____ Name

_____ Address

_____ City, State, Zip

(H) _____ (W) _____ Telephone Numbers

4. Tax year for which credit is being sought: _____

5. Is this property your principal residence? ____ Yes ____ No

6. Do you own any other property in Baltimore City? ____ Yes ____ No

7. If property is a multiple dwelling structure, please indicate number of dwelling units: _____

8. Date Purchased: _____

9. Assessed value at time of Purchase: _____ (Attach Assessment Notice)

10. Assessed value after rehabilitation: _____ (Attach Assessment Notice)

11. I declare under the penalties of perjury, that this application (including any accompanying forms and statements) has been examined by me and the information contained herein, to the best of my knowledge and belief, is true, correct and complete, that I have a legal interest in this property, and that this dwelling will be my principal residence for the prescribed period.

Owner's Signature

Date

FOR OFFICIAL USE ONLY:

1. Assessment subject to credit: _____

2. Percent credit: ____100% ____80% ____60% ____40% ____20% ____0%

3. Net Assess. subject to credit: _____

4. Tax rate: _____

5. Credit amount: _____

HCD Approval: _____

Date: _____

Approved: _____

Date: _____

Department of Finance